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September 24, 2015

To: Mayor Michael D. Antonovich
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From: Sachi A. Hamai 
Interim Chief Executive Officer

RECOMMENDED COMPENSATION ACTIONS AT HARBOR-UCLA MEDICAL CENTER RELATED TO TERMINATION OF TRI-PARTITE AGREEMENT

This is to provide the Board with a plan to address the termination of supplemental physician compensation at Harbor-UCLA Medical Center and to request approval to brief the Union of American Physicians and Dentists (UAPD, or Union) regarding the plan.

The Auditor-Controller recently reviewed a longstanding contractual arrangement at Harbor-UCLA that is commonly referred to as the Tri-Partite Agreement. The Agreement between the County, the Regents of UCLA, and the Harbor-UCLA Medical Foundation, Inc. (MFI Inc.) was established in 1995 and generates revenue for the facility through specialized billing services. These revenues have been used, in part, to supplement the salaries of physicians at Harbor-UCLA in support of recruitment and retention, and to fund other programs. However, the review found some deficiencies with the current arrangement, such as the lack of a Board approved contract for this agreement, and a potential conflict of interest in distributing the payments. As a result, the Department of Health Services (DHS) intends to seek the Board's approval to terminate the Tri-Partite agreement effective February 1, 2016.

Termination of the agreement will effectively end the supplemental salary payments to physicians, referred to as "MFI," which are made outside of the County payroll system.

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Hospital management has expressed serious concerns about potential disruptions to mission critical medical services should these physicians resign due to the loss of MFI income. We believe that these concerns are legitimate, and in anticipation of the Agreement's termination, we worked with DHS and Harbor-UCLA management on a mechanism to address these concerns within the provisions of the existing Salary Ordinance.

Specifically, County Code Title 6, Section 6.08.445(G), permits the Chief Executive Officer or the Board of Supervisors to provide for the placement of a Physician at any rate within the established Salary Range for the position which the employee holds. While such actions are typically done when an employee is hired or promoted, there is a precedent for specialized salary placements not associated with a new appointment, such as when the medical school affiliation agreement with the University of Southern California (USC) was terminated in 2008. At that time, County physicians who chose to resign their USC professorships were placed in the salary range at the step that was closest to the combination of their county salary and their teaching stipend from USC.

We are proposing to replace the lost MFI income from Fiscal Year 2014-15 to the nearest extent possible through a combination of special step advancements and temporary pay adjustments for fifty-nine physicians. We are analyzing each employee's situation to determine the best individual remedy to address the loss of MFI in a manner that is fair and impartial, without providing more replacement compensation than was received from the MFI payments. The estimated annual cost of these actions is \$706,480 for salaries and employee benefits.

Although the goal is to resolve this situation in an equitable manner, we cannot address the loss of MFI income in the same way for all employees. First, physicians are paid at different rates according to their medical specialty. In addition, the amount of MFI income varied year to year and by employee. Also, employees who are currently close to the top of the salary range will not be able to receive an adjustment sufficient to replace all of the lost MFI income. Most significantly, employees already receiving the maximum salary rate for their position will not receive any adjustment since there is no authority within the existing salary ordinance to pay them above the applicable maximum salary rate.

This is a unique situation which may have significant employee relations implications when the Union is notified. We plan to move forward with presenting this proposal to UAPD, unless we are otherwise instructed by the Board by early October 2015.

Each Supervisor
September 24, 2015
Page 3

Thank you for your consideration of this matter. If you have any questions or need additional information, please contact me, or your staff may contact Maryanne Keehn at (213) 974-0470, or via e-mail at mkeehn@ceo.lacounty.gov.

SAH:JJ:MTK
NV:PB:rld

c: Executive Office, Board of Supervisors
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